

redemption should be refused the coins might be refused by the public depositaries of the other parties to the union.¹

It was such conditions which confronted the Bank of France when it prepared to resume specie payments in 1877 with a gold reserve of 1,202,400,000 francs (\$232,000,000) and a silver reserve of 860,900,000 francs (\$165,000,000). The situation was exactly the same as in 1860, except that the position of the two metals was reversed. The bank found itself well stocked with the more valuable metal, but restrained from using it for redemption purposes because of the certainty that it would soon be drawn away and sold as bullion. The policy was adopted, and has been steadily adhered to, of redeeming in gold or silver at the discretion of the bank and charging a premium for gold. It is impossible to obtain gold at the bank in the quantity desired for exportation and it has to be taken from the domestic circulation. This means of protecting its gold reserve has been treated by the bank in some measure as a substitute for raising the rate of discount in a monetary pressure and while it protects the gold of the bank it has none of the advantages upon the money market which follow the different policy of the Bank of England. The bullion shippers were shrewd enough when discount was low and gold at a premium. In 1857, to draw gold by discounting accommodation bills at the bank rate of four per cent, and selling the gold for the premium for exportation. The bank prevents this under its present practice by paying for discounted paper in silver, which is not exportable for monetary purposes. The result,—“to defend the reserve of the bank to the detriment of the reserve of the country,” in the language of M. Arnauné—is an error which may have melancholy consequences.*^{1a}

The excessive quantity of silver in the reserve of the bank has contributed in a measure to its large note circulation. The bank has tried to force silver five-franc pieces into cir-

¹ For the arrangements regarding the liquidation in gold of the excess of foreign silver coins in France, see Chapter **xi.**, under the Bank of Belgium.

* *La Monnaie, le Crédit et le Change*, 492.